

Message Text

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ACTION NEA-11

INFO OCT-01 EUR-12 ISO-00 AID-05 CEA-01 CIAE-00
COME-00 EB-08 FRB-03 INR-10 NSAE-00 SP-02 STR-07
TRSE-00 LAB-04 SIL-01 OMB-01 DODE-00 PM-05 H-01
L-03 NSC-05 PA-01 SS-15 ICA-11 DOE-15 SOE-02
NEAE-00 /124 W

-----030840 231847Z /47

P R 231614Z JUN 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC PRIORITY 7482
INFO ALL EC CAPITALS
AMEMBASSY TEL AVIV

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 10001

DEPARTMENT ALSO PASS TO COMMERCE

E.O.11652: GDS
TAGS: ETRD, UK
SUBJECT: ARAB BOYCOTT

REF: (A) STATE 124709; (B) LONDON 8930

1. MR. DAN HALPERIN OF THE ISRAELI MINISTRY OF FINANCE
TESTIFIED JUNE 21 BEFORE THE HOUSE OF LORDS SELECT
COMMITTEE ON FOREIGN BOYCOTTS. HE GAVE AN ASSESSMENT OF
THE IMPACT OF U.S. ANTI-BOYCOTT MEASURES ON TRADE WITH
ARAB COUNTRIES WHICH HE ATTRIBUTED DIRECTLY TO STANLEY
MARCUSS OF COMMERCE DEPARTMENT. ACCORDING TO HALPERIN,
HE WAS AUTHORIZED BY MARCUSS TO SAY THAT THE U.S. GOVERN-
MENT FOUND NO REASON TO BELIEVE U.S.-ARAB TRADE HAS BEEN
HARMED. MARCUSS IS QUOTED AS SAYING THE U.S. HAS
SUFFERED NO LOSS OF CURRENT OR POTENTIAL BUSINESS WITH
ARAB COUNTRIES. HALPERIN SAID MARCUSS WAS ONLY TOO
READY TO SUPPLY INFORMATION TO SELECT COMMITTEE ON THIS
POINT.

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2. THE SELECT COMMITTEE HAS ASKED THE EMBASSY TO OBTAIN
EARLY WASHINGTON CONFIRMATION THAT VIEWS EXPRESSED BY
HALPERIN ACCURATELY REFLECT THE ASSESSMENT OF THE U.S.
GOVERNMENT REGARDING THE IMPACT OF RECENT U.S. ANTI-
BOYCOTT MEASURES. ACTION REQUESTED: RESPONSE BY JUNE
28.

3. FOLLOWING ARE PERTINENT PORTIONS OF HALPERIN'S TESTIMONY.

QUESTION: "YOU REFER, VERY REASONABLY, TO THE PRAGMATIC APPROACH WHICH, SHALL WE SAY, EGYPT TAKES TO THE BOYCOTT, BUT WOULD YOU AGREE THAT SAUDI ARABIA, FOR EXAMPLE, TAKES A VERY DIFFERENT AND LESS PRAGMATIC ATTITUDE THAN EGYPT?"

HALPERIN: "INDEED, I AM IN A LUCKY POSITION OF BEING HERE IN THE TWO DAYS AFTER COMING BACK FROM WASHINGTON IN WHICH I HAD AN IDEAL CHANCE TO TALK THESE MATTERS OVER WITH MY COUNTERPART, I BELIEVE, MR. STANLEY MARCUSS, WHO IS THE SENIOR DEPUTY ASSISTANT SECRETARY FOR COMMERCE IN CHARGE OF ANTI-BOYCOTT AND HE TOLD ME -- AND I THINK YOU WILL FIND SOME EVIDENCE IN THE BUSINESS PRESS IN THE UNITED STATES AS WELL, SOME OF WHICH IS QUOTED IN OUR PAPER -- IT IS TO THEIR, I WOULD NOT SAY RELIEF, BUT I THINK THEY ARE DELIGHTED TO FIND OUT THAT THE SAUDIS ARE TAKING A VERY REASONABLE APPROACH TO THESE REGULATIONS. AS A MATTER OF FACT, THE AMERICAN GOVERNMENT, FROM WHAT I WAS TOLD, HELD A LONG SERIES OF DISCUSSIONS WITH TOP ARAB OFFICIALS ON THESE MATTERS. THE RESPONSE THEY GOT LED THEM TO THE BELIEF THAT THE ARAB COUNTRIES ARE ACCOMMODATING THEMSELVES TO THESE NEW LAWS, PART OF WHICH, BY THE WAY, WILL BE IMPLEMENTED FROM TOMORROW, THE PART WHICH APPLIES TO NEGATIVE CER-
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TIFICATES OF ORIGIN, BUT I BELIEVE ALREADY MOST OF THESE COUNTRIES DO NOT REQUIRE -- AT LEAST IN THE STATES -- ANY NEGATIVE CERTIFICATE OF ORIGIN WHICH, I THINK, PUTS FORWARD ANOTHER QUESTION: WHETHER BRITAIN WANTS TO BE WHILE DEALING WITH THESE COUNTRIES, ON THE SAME BASIS AS, FOR EXAMPLE, THE U.S., AS I WOULD SAY IN THE POSITION OF A MOST FAVOURABLE NATION DOING BUSINESS WITH THE ARAB COUNTRIES OR BEING TREATED IN ANOTHER WAY, WHICH MEANS THE BRITISH COMPANIES WILL BE DEMANDED TO DO THINGS WHICH OTHER COMPANIES ARE NOT ASKED TO DO, AT LEAST SOME COMPANIES, IF NOT ALL."

"BY THE WAY, MR. MARCUSS AUTHORISED ME TO SAY THAT, FROM ALL THE RESEARCH THEY MADE INTO THE IMPLEMENTATION OF THE AMERICAN LAWS MADE ON THE TRADE BETWEEN THE U.S. AND ARAB COUNTRIES, THEY FOUND NO REASON WHATSOEVER TO BELIEVE THAT IT HARMED THEM IN ANY WAY. I EVEN GOT VERIFICATION ON THIS FROM THE PEOPLE IN THE AFLCO (SIC) WHO ARE THE PEOPLE DEALING WITH EMPLOYMENT AND WHO ARE, THEREFORE, THE TUC PEOPLE OF THE UNITED STATES. OF COURSE, THEIR MAJOR WORRY IS FOR EMPLOYMENT. THEY WOULD LIKE TO NOTE THAT NO LOSS OF EMPLOYMENT IN ANY WAY WAS REPORTED FOLLOWING THE IMPLEMENTATION OF

LEGISLATION. I HAVE TO ADD THAT WHEN WE SPEAK ABOUT
IMPLEMENTATION WE SHOULD NOT ONLY THINK ABOUT WHAT IS

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L-03 NSC-05 PA-01 SS-15 ICA-11 DOE-15 SOE-02
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C O N F I D E N T I A L SECTION 02 OF 02 LONDON 10001

CALLED THE EXPORT ADMINISTRATION ACT WHICH CAME INTO
POWER ONLY ON THE 1ST JANUARY LAST YEAR, BUT THERE ARE
PREVIOUS STATE LAWS, ESPECIALLY THE ONE IN YORK WHICH
HAS BEEN IN EFFECT, I THINK, SINCE THE 1ST JANUARY 1976.
STILL THEY FOUND NO EVIDENCE WHATSOEVER OF REAL LOSS OF
BUSINESS. ON THE CONTRARY, THEY FEEL THAT THEIR BUSIN-
ESS WITH THE ARAB COUNTRIES -- INCLUDING SAUDI ARABIA
FOR WHICH THEY HAVE HIGH REGARD AS A LUCRATIVE MARKET --
HAS NOT CAUSED THEM ANY LOSS OF BUSINESS."

QUESTION: "THAT IS BECAUSE THE ARAB COUNTRIES HAVE
ACCOMMODATED THEIR OWN REQUESTS AND THEIR OWN ATTITUDES,
IN THE LIGHT OF THE NEW LEGISLATION IN THE UNITED
STATES?"

HALPERIN: "THIS IS THE BELIEF SHARED BY THE PEOPLE I
HAVE TALKED TO IN THE ADMINISTRATION AND IN THE AFLCO
(SIC)."

QUESTION: "BUT THEY WOULD PROBABLY AGREE WITH THE EVI-
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DENCE THAT WE HAVE HAD THAT, OF COURSE, IT IS VERY EARLY DAYS AND, AS YOU WERE SAYING, THE NEGATIVE CERTIFICATES REGULATION DOES NOT COME INTO OPERATION UNTIL TOMORROW, I THINK?"

HALPERIN: "YES. HOWEVER, AS POINTED OUT, IN YORK, FOR EXAMPLE, A NEGATIVE CERTIFICATE OF ORIGIN WAS BANNED ALREADY IN 1976. THEREFORE, I THINK THIS EVIDENCE IS QUITE MEANINGFUL, EVEN WHEN WE REMEMBER THAT THIS CLAUSE IS NOT YET IN FULL POWER ON FEDERAL LEGISLATION."

QUESTION: "IN THE DISCUSSIONS WITH MR. MARCUSS, DID HE SAY ANYTHING ABOUT THE EFFECT SINCE THE EXPORT ADMINISTRATION ACT?"

HALPERIN: "YES, HE SAID THIS TO ME, BUT HE SAID IT IN PUBLIC SEVERAL TIMES -- AND I AM SURE THAT IF HE GETS SOME QUESTIONS FROM THIS DCSTINGUISHED COMMITTEE HE WILL BE ONLY TOO READY TO SUPPLY HIS INFORMATION ON THIS -- THAT, FROM ALL THEY KNOW, NOT ONLY NO LOSS OF BUSINESS WAS REPORTED, BUT NOT EVEN LOSS OF (I WOULD SAY) POTENTIAL BUSINESS. THEY DO NOT FEEL -- AND I HAVE TO ADD THIS -- THAT THEY LOST AN ADDITIONAL GROWTH EVEN. NOT ONLY WAS NOT TRADE WITH ARAB COUNTRIES REDUCED, BUT THEY DID NOT LOSE ANY ADDITIONAL TRADE WITH THE ARAB COUNTRIES FOLLOWING THE INTRODUCTION OF THE EXPORT ADMINISTRATION ACT SINCE THE 1ST JANUARV 1978.

BREWSTER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ARABS, BOYCOTTS
Control Number: n/a
Copy: SINGLE
Draft Date: 23 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978LONDON10001
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780262-0927
Format: TEL
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780626/aaaaawkv.tel
Line Count: 202
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: cf82a182-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 STATE 124709, 78 LONDON 8930
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 jun 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2229125
Secure: OPEN
Status: NATIVE
Subject: ARAB BOYCOTT
TAGS: ETRD, UK
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/cf82a182-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014